

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The Company's operations and ability to grow may be affected by numerous factors, including changes in customer requirements, new laws and governmental regulations and policies, technological advances, entry of new competitors and changes in the willingness of financial institutions and other lenders to finance acquisitions and operations. The Company cannot predict which, if any, of these or other factors might have a significant impact on the telecommunications industry in the future, nor can it predict what impact, if any, the occurrence of these or other events might have on the Company's operations.

c) Development Stage Company

The Company was in its development stage until May 1998 when the United States to United Kingdom segment of the AC-1 system was placed into service, and the Company began generating significant amounts of revenue.

d) Revenue Recognition

Services

Revenue recognized as services, including sales of capacity under operating type leases, are provided, net of an estimate for uncollectible accounts. Payments received from customers before the relevant criteria for revenue recognition are satisfied are included in deferred revenue in the accompanying consolidated balance sheets.

Sales-Type Leases

Revenue from Capacity Purchase Agreements ("CPAs") that meet the criteria of sales-type lease accounting are recognized in the period that the rights and obligations of ownership transfer to the purchaser, which occurs when (i) the purchaser obtains the right to use the capacity, which can only be suspended if the purchaser fails to pay the full purchase price or fulfill its contractual obligations, (ii) the purchaser is obligated to pay Operations, Administration and Maintenance ("OA&M") costs and (iii) the segment of a system related to the capacity purchased is available for service. Certain customers who have entered into CPAs for capacity have paid deposits toward the purchase price which have been included as deferred revenue in the accompanying consolidated balance sheets.

Prior to July 1, 1999, substantially all CPAs were treated as sales-type leases as described in Statement of Financial Accounting Standards No. 13, "Accounting for Leases" ("SFAS 13"). On July 1, 1999, the Company adopted Financial Accounting Standards Board Interpretation No. 43, "Real Estate Sales, an interpretation of FASB Statement No. 66" ("FIN 43"), which requires prospective transactions to meet the criteria set forth in Statement of Financial Accounting Standards No. 66, "Accounting for Sales of Real Estate" ("SFAS 66") to qualify for sales-type lease accounting. Since sales of terrestrial capacity did not meet the new criteria, the terrestrial portion of CPAs executed subsequent to June 30, 1999 were recognized over the terms of the contracts, as services.

Percentage-of-Completion

Revenues and estimated profits under long-term contracts for undersea telecommunication installation by Global Marine Systems are recognized under the percentage-of-completion method of accounting.

e) Cost of Sales

Services

Costs of the network relating to capacity contracts accounted for as operating leases are treated as fixed assets and, accordingly, are depreciated over the estimated useful life of the capacity.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (Continued)

Sales-Type Leases

Prior to October 1, 1999, the effective date of the Frontier merger, cost of sales for subsea circuits was calculated based on the ratio of capacity revenue recognized in the period to total expected capacity revenue over the life of the network system, multiplied by the total remaining costs of constructing the network system. This calculation of cost of sales matches costs with the value of each sale relative to total expected revenue. Until the entire system was completed, for purposes of calculating cost of sales, the total system costs incurred included an estimate of remaining costs to be incurred to complete the entire system plus the cost of system upgrades that management had the intent and ability to complete, provided the need for such upgrades was supported by a third party consultant's independent revenue forecast.

Beginning October 1, 1999, the Company initiated service contract accounting and therefore began depreciating all of its systems; however, certain contracts still qualified for sales-type lease accounting. For these transactions, the Company's policy provided for recording cost of sales in the period in which the related revenue was recognized, in addition to the depreciation charge described below (see Property and Equipment and Construction in Progress). Under service contract accounting, the amount charged to cost of sales relating to subsea capacity was calculated by determining the estimated net book value of the specific subsea capacity at the time of the sale. The estimated book value includes expected costs of capacity the Company has the intent and ability to add through upgrades of that system, provided the need for such upgrades is supported by a third-party consultant's independent revenue forecast.

f) Commissions and Advisory Services Fees

The Company's policy is to record sales commissions and advisory fee expenses and related payables upon the recognition of revenue so as to appropriately match these costs with the related revenue. Under the Advisory Services Agreement ("ASA"), which was terminated by December 31, 1998, the Company paid PCG Telecom Services LLC ("PCG Telecom") and its affiliates 2% of revenue for advisory services performed. Under the Sales Agency Agreement, the Company paid Tyco Submarine Systems Ltd. ("TSSL") a commission based on a percentage of revenue from the sale of capacity on certain of the Company's systems.

g) Cash and Cash Equivalents, Restricted Cash and Cash Equivalents (Current and Long Term)

The Company considers cash in banks and short term highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents and restricted cash and cash equivalents are stated at cost which approximates fair value.

h) Property and Equipment and Construction in Progress

Property and equipment, which includes capitalized leases, are stated at cost, net of depreciation and amortization. Major enhancements are capitalized, while expenditures for repairs and maintenance are expensed when incurred. Costs incurred prior to a segment's completion are reflected as construction in progress in the accompanying consolidated balance sheets and recorded as property and equipment at the date each segment of the applicable system becomes operational.

Construction in progress includes direct expenditures for construction of network systems and is stated at cost. Capitalized costs include costs incurred under the construction contract; advisory, consulting and legal fees; interest; and amortized finance costs incurred during the construction phase. Once it is probable that a cable system will be constructed, costs directly identifiable with the cable system under development are capitalized. Costs relating to the evaluation of new projects incurred prior to the date the development of the network system becomes probable are expensed as incurred.

In connection with the construction of the Global Crossing network, the Company has entered into various agreements to sell or exchange dark fiber, ducts, rights of ways, and certain capacity. These non-monetary exchanges are recorded at the cost of the asset transferred or, if applicable, the fair value of the asset received.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Interest incurred, which includes the amortization of deferred finance fees and issuance discount ("interest cost"), are capitalized to construction in progress. Total interest cost incurred and interest capitalized to construction in progress during the periods presented were:

	Year Ended December 31, 1999	Year Ended December 31, 1998	For the period March 31, 1997 (Date of Inception) to December 31, 1997
	(In thousands)		
Interest cost incurred..	\$217,136	\$92,813	\$9,777
	=====	=====	=====
Interest cost capitalized to construction in progress.....	\$ 78,059	\$49,933	\$9,777
	=====	=====	=====

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, with the exception of leasehold improvements and assets acquired through capital leases, which are depreciated over the lesser of the estimated useful lives or the term of the lease. Estimated useful lives are as follows:

Buildings.....	10-40 years
Leasehold improvements.....	2-25 years
Furniture, fixtures and equipment.....	2-30 years
Transmission equipment.....	3-25 years

Beginning October 1, 1999, the Company commenced service contract accounting. Carrying amounts related to completed subsea systems were reclassified from capacity available for sale to depreciable assets, and are being depreciated over their remaining economic useful lives.

When property or equipment is retired or otherwise disposed of, the cost and accumulated depreciation are relieved from the accounts, and resulting gains or losses are reflected in the determination of current net income.

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss would be recognized equal to an amount by which the carrying value exceeds the fair value of the assets.

i) Goodwill and Intangibles

Costs in excess of net assets of acquired businesses are amortized on the straight-line method over 3 to 25 years. In cases where undiscounted expected future cash flows are less than the carrying value, the impairment loss would be included in the determination of current net income. Subsequent to acquisitions, the Company continually evaluates whether later events and circumstances have occurred which indicate that the remaining estimated useful life of intangible assets may warrant revision or that the remaining balance of such assets may not be recoverable. When factors indicate that intangible assets should be evaluated for possible impairment, the Company uses an estimate of the undiscounted operating income over the remaining life of the intangible assets in measuring whether the intangible assets are recoverable.

j) Deferred Finance Costs

Costs incurred to obtain financing through the issuance of senior notes and long-term debt have been reflected as an asset included in other assets in the accompanying consolidated balance sheets. Costs incurred to obtain financing through the issuance of preferred stock have been reflected as a reduction in the carrying value

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

of the issued preferred stock. The financing costs relating to the debt are amortized over the lesser of the term of the related debt agreements or the expected payment date of the debt obligation. In 1998, certain preferred stock was redeemed at which time the remaining balance of unamortized discount and offering costs was charged against additional paid-in capital. In 1999 and 1998, certain long-term debt was extinguished, at which time the remaining balance of unamortized discount and offering costs was written off and included in extraordinary loss on retirement of debt.

During the construction period, the amortized portion of deferred financing costs relating to the senior notes and the long-term debt are included in construction in progress as a component of interest capitalized or recorded as interest expense in accordance with Statement of Financial Accounting Standards (SFAS) No. 34, "Capitalization of Interest Cost". The amortized portion of the deferred financing costs relating to the preferred stock is included as a component of preferred stock dividends.

k) Investments

Investments in which the Company does not have significant influence or in which the Company holds an ownership interest of less than 20% are recorded using the cost method of accounting. The equity method of accounting is applied for investments in affiliates, if the Company owns an aggregate of 20% to 50% of the affiliate and if the Company exercises significant influence over the affiliate. The equity method is also applied for entities in which the Company's ownership is in excess of 50% but over which the Company is unable to exercise effective control. If the Company holds more than 50% of the ownership and is able to exercise effective control, the owned entity's financial statements and the appropriate deductions for minority interest are included in the accompanying consolidated financial statements.

l) Financial Instruments

The Company uses derivative financial instruments to reduce its exposure to adverse fluctuations in interest rates and foreign currency exchange rates. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. The Company does not enter into financial instruments for trading or speculative purposes. Accordingly, they are presented on the accompanying consolidated balance sheet at their carrying values, which approximates their fair values. Fair values are based on market quotes, current interest rates or management estimates, as appropriate.

The Company has entered into forward currency contracts, hedging the exchange risk on committed foreign currency transactions. Gains and losses on these contracts are recognized at the time the underlying transaction is completed.

As discussed in Note 15, the Company has entered into an interest rate swap agreement to hedge its variable interest-rate exposure on debt. Hedge accounting was applied in respect of these instruments; accordingly, the net cash amounts to be paid or received on the agreement are accrued and recognized as an adjustment to interest expense on the related debt.

m) Income Taxes

The Company recognizes current and deferred income tax assets and liabilities based upon all events that have been recognized in the consolidated financial statements as measured by the enacted tax laws.

n) Effect of Foreign Currencies

For those subsidiaries using the U.S. Dollar as their functional currency, transaction loss is recorded in the accompanying consolidated statements of operations. The Company's foreign transaction loss was \$26.9 million

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)
for the year ended December 31, 1999. The effect of foreign currency transactions in all periods prior to the year ended December 31, 1999 were immaterial.

For those subsidiaries not using the U.S. Dollar as their functional currency, assets and liabilities are translated at exchange rates in effect at the balance sheet date and income and expense accounts are translated at average exchange rates during the period. Resulting translation adjustments are recorded directly to a separate component of shareholders' equity. For the year ended December 31, 1999, the Company incurred a foreign currency translation loss of \$20.7 million. For all periods prior to December 31, 1999, the translation adjustments were immaterial.

o) Stock Option Plan

The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and, accordingly, recognizes compensation expense for stock option grants to the extent that the estimated fair value of the stock exceeds the exercise price of the option at the measurement date. The compensation expense is charged against operations ratably over the vesting period of the options.

p) Concentration of Credit Risk

The Company has some concentration of credit risk among its customer base. The Company performs ongoing credit evaluations of its larger customer's financial condition. As of and for the year ended December 31, 1999, five customers represented 14% and 29% of the Company's receivables and revenue, respectively.

q) Change in Accounting Policy

The Company adopted Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5") in the first quarter of 1999. Accordingly, a one-time charge of \$15 million (net of tax benefit), representing start-up costs incurred and capitalized during previous periods, was charged against net income.

r) Pending Accounting Standards

In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of SFAS No. 133", which deferred SFAS No. 133's effective date to fiscal quarters beginning after June 15, 2000. This statement standardizes the accounting for derivatives and hedging activities and requires that all derivatives be recognized in the statement of financial position as either assets or liabilities at fair value. Changes in the fair value of derivatives that do not meet the hedge accounting criteria are to be reported in earnings. The impact of the adoption of this standard has not been quantified.

s) Reclassifications

Certain prior year amounts have been reclassified in the consolidated financial statements to conform to current year presentation.

3. MERGERS AND ACQUISITIONS

The following mergers and acquisitions occurred during 1999 and have been accounted for in the accompanying consolidated financial statements under the purchase method of accounting for business combinations. The purchase price was allocated based on the estimated fair value of acquired assets and liabilities at the date of acquisition.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Global Marine Systems Acquisition

On July 2, 1999, the Company acquired the Global Marine business of Cable & Wireless Plc for approximately \$908 million, consisting of a combination of cash and assumed indebtedness. This resulted in an excess of purchase price over net assets acquired of \$693 million, which was allocated to goodwill and other intangible assets and are being amortized on the straight-line method over 3-25 years. Global Marine Systems provides services, including maintenance under a number of long-term contracts, to cables built by carriers and is the world's largest undersea cable installation and maintenance company. The Company initially financed the acquisition with committed bank financing in the amount of \$600 million and the remainder with cash on hand.

Frontier Corporation Merger

On September 28, 1999, the Company completed its merger with Frontier Corporation, resulting in Frontier becoming a wholly owned subsidiary of the Company.

Frontier shareholders received 2.05 shares of the Company's common stock for each outstanding share of common stock of Frontier Corporation, for a total of 355 million shares of Global Crossing common stock, including outstanding and unexercised stock options. The purchase price of \$10.3 billion reflects a Global Crossing stock price of \$22 15/16 per share, the average closing price of Global Crossing common stock from September 1, 1999 through September 3, 1999, and includes long term debt and Frontier stock options assumed by Global Crossing. For accounting purposes, the merger with the Company is deemed to have occurred as of the close of business on September 30, 1999. The excess of purchase price over net assets acquired of \$7.7 billion was allocated to goodwill and other intangible assets; goodwill and intangible assets are being amortized on the straight-line method over 6-25 years.

Racal Telecom Acquisition

On November 24, 1999, the Company acquired Racal Telecom for approximately \$1.6 billion in cash. The Company entered into a (Pounds)675 million (approximately \$1,091 million as of December 31, 1999) credit facility to finance the acquisition. The excess of purchase price over net assets acquired of \$1.6 billion was allocated to goodwill and is being amortized on the straight-line method over 6-25 years. Racal Telecom owns one of the most extensive fiber telecommunications networks in the United Kingdom. For accounting purposes, the acquisition is deemed to have occurred as of the close of business on November 30, 1999.

Asia Global Crossing

On November 24, 1999, the Asia Global Crossing joint venture was established. In exchange for a majority interest, the Company contributed to the joint venture its development rights in East Asia Crossing ("EAC") and its 58% interest in Pacific Crossing ("PC-1"). Softbank Corp. and Microsoft Corporation each contributed \$175 million in cash to Asia Global Crossing. In addition, Softbank and Microsoft committed to make a total of at least \$200 million in capacity purchases on our network over a three-year period, expected to be utilized primarily on PC-1 and EAC. Softbank and Microsoft have also agreed to use Asia Global Crossing's network in the region, subject to specified conditions. Minority interest of \$351 million was recorded in 1999 in connection with this joint venture.

Hutchison Global Crossing

On November 15, 1999, the Company entered into an agreement with Hutchison Whampoa Limited ("Hutchison") to form a joint venture called Hutchison Global Crossing, which began operations on January 12, 2000. The joint venture is owned in equal parts by the Company and Hutchison. In exchange for its 50 percent interest, the Company will contribute certain assets and services to the joint venture and, in January 2000, issued to Hutchison \$400 million aggregate liquidation preference of its 6 3/8% cumulative convertible preferred stock, series B, convertible into its common stock.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (Continued)

The initial purchase price allocations for the 1999 business combinations are based on current estimates. The Company will make final purchase price allocations based upon final values for certain assets and liabilities. As a result, the final purchase price allocation may differ from the presented estimate.

The following unaudited pro forma condensed combined financial information of Global Crossing, Global Marine Systems, Frontier, Racal Telecom and the Hutchison Global Crossing joint venture demonstrates the results of operations had the merger and acquisitions related transactions been completed at the beginning of the periods presented.

	December 31,	
	1999	1998
	(unaudited)	
	(In thousands, except share and per share data)	
Revenue.....	\$ 4,139,897	\$ 3,643,521
Net loss before extraordinary items and cumulative effect of change in accounting principles.....	\$ (462,544)	\$ (474,882)
Net loss.....	\$ (522,935)	\$ (496,346)
Loss applicable to common shareholders before extraordinary items and cumulative effect of change in accounting principles.....	\$ (554,715)	\$ (513,063)
Loss applicable to common shareholders.....	\$ (614,986)	\$ (568,487)
Loss per common share:		
Loss applicable to common shareholders Basic and diluted.....	\$ (0.80)	\$ (0.80)
Loss applicable to common shareholders before extraordinary items and cumulative effect of change in accounting principles Basic and diluted.....	\$ (0.72)	\$ (0.72)
Shares used in computing loss per share Basic and diluted.....	767,355,151	708,518,640

4. RESTRICTED CASH AND CASH EQUIVALENTS

Current and long term restricted cash and cash equivalents include the following:

	December 31,	
	1999	1998
	(In thousands)	
Funds restricted for PC-1 construction.....	\$138,118	\$231,790
Funds restricted under the AC-1 Credit Facility.....	--	89,000
Funds restricted for MAC construction.....	--	65,000
Funds restricted for dividends payments to parent company.....	76,202	--
Funding for future interest on senior notes.....	--	38,000
Other.....	17,092	21,000
	\$231,412	\$444,790

Under the Open Market Plan, dividend payments to the parent company are temporarily prohibited until Frontier Telephone of Rochester, Inc. ("FTR") receives clearance from the New York State Public Service Commission that service requirements are being met. Cash restricted for dividend payments by FTR, as of December 31, 1999, was approximately \$76.2 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

5. ACCOUNTS RECEIVABLE

Current and long term accounts receivable are comprised of:

	December 31,	
	1999	1998
	(In thousands)	
Accounts receivable.....	\$1,114,135	\$118,743
Allowance for doubtful accounts.....	(95,110)	(4,233)
Accounts receivable, net.....	\$1,019,025	\$114,510
	=====	=====

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	1999	1998
	(In thousands)	
Land.....	\$ 14,886	\$ --
Buildings.....	184,827	--
Leasehold improvements.....	29,096	774
Furniture, fixtures and equipment.....	771,585	5,306
Transmission equipment.....	2,544,903	--
	3,545,297	6,080
Accumulated depreciation.....	(124,874)	(580)
	3,420,423	5,500
Construction in progress.....	2,605,630	428,207
Total property and equipment, net.....	\$6,026,053	\$433,707
	=====	=====

Depreciation and amortization expense for the year ended December 31, 1999 was approximately \$124 million. Depreciation expense for December 31, 1998 and for the period ended March 19, 1997 (date of inception) to December 31, 1997 was insignificant.

7. GOODWILL AND INTANGIBLES

The Company acquired three companies in 1999 as described in Note 3. All companies acquired have been accounted for as purchases with the excess of the purchase price over the estimated fair value of the net assets acquired recorded as goodwill.

Goodwill and intangibles are as follows:

	December 31,	
	1999	1998
	(In thousands)	
Goodwill and intangibles.....	\$9,685,043	\$ --
Accumulated amortization.....	(127,621)	--
Goodwill and intangibles, net.....	\$9,557,422	\$ --
	=====	=====

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (Continued)

8. INVESTMENT IN AND ADVANCES TO/FROM AFFILIATES

Investment in Pacific Crossing Ltd. ("PCL")

In April 1998, the Company entered into a joint venture to construct the PC-1 cable system which is owned and operated by PCL. The Company has an economic interest in PCL represented by a 50% direct voting interest and, through one of the joint venture partners, owns a further 8% economic non-voting interest.

Investment in Global Access Ltd.

In December 1998, the Company entered into a joint venture, Global Access Ltd., to construct and operate GAL, a terrestrial cable system connecting Tokyo, Osaka and Nagoya with PC-1. The Company has a 49% interest in Global Access Ltd.

The Company's investments in PCL and GAL are accounted for as interest in affiliates under the equity method because the Company is not able to exercise effective control over their operations.

The Company's investment in affiliates consists of the following:

	December 31,	
	1999	1998
	(In thousands)	
Investment in Pacific Crossing Ltd.....	\$266,068	\$160,639
Investment in Global Access Ltd.....	22,693	16,695
Other investments and advances to/from affiliates.....	35,199	--
Investment in and advances to/from affiliates.....	\$323,960	\$177,334
	=====	=====

9. TAXES

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes" ("SFAS 109"). The provision for income taxes is comprised of the following:

	December 31,	
	1999	1998
	(In thousands)	
Current.....	\$144,906	\$23,413
Deferred.....	(18,367)	9,654
Total income tax expense.....	\$126,539	\$33,067
	=====	=====

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes.

Bermuda does not impose a statutory income tax and consequently the provision for income taxes recorded relates to income earned by certain subsidiaries of the Company which are located in jurisdictions which impose income taxes.

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The following is a summary of the significant items giving rise to components of the Company's deferred tax assets and liabilities:

		December 31,	
		1999	1998
		Assets	Liabilities
		Assets	Liabilities
		(In thousands)	(In thousands)
Bad debt reserve.....	\$ 11,199	\$ --	\$ --
Research and development costs...	--	(41,018)	--
Depreciation.....	--	(380,893)	--
Basis adjustment to purchased companies.....	--	(9,282)	--
Employee benefits obligation.....	--	(32,918)	--
Net operating loss (NOL) carryforwards.....	58,865	--	--
Deferred and stock related compensation.....	11,066	--	504
Other.....	35,156	(15,235)	--
	116,286	(479,346)	504
Valuation allowance.....	(54,780)	--	--
	\$ 61,506	\$ (479,346)	\$ 504
	=====	=====	=====

The Company established a valuation allowance of \$54,780 as of December 31, 1999. The valuation allowance is related to deferred tax assets due to the uncertainty of realizing the full benefit of the NOL carryforwards. In evaluating the amount of valuation allowance needed, the Company considers the acquired companies' prior operating results and future plans and expectations. The utilization period of the NOL carryforwards and the turnaround period of other temporary differences are also considered. The Company's NOLs begin to expire in 2004.

10. LONG-TERM DEBT

Outstanding debt consists of the following:

		December 31,	
		1999	1998
		(In thousands)	(In thousands)
9 1/2% Senior Notes due 2009.....	\$1,100,000	\$ --	--
9 1/8% Senior Notes due 2006.....	900,000	--	--
9 5/8% Senior Notes due 2008.....	800,000	800,000	--
Senior Secured Revolving Credit Facility.....	648,597	--	--
Racal Telecom Term Loan A.....	646,130	--	--
Medium-Term Notes, 7.51%--9.3%, due 2000 to 2004.....	219,000	--	--
7 1/4% Senior Notes due 2004.....	300,000	--	--
6% Dealer Remarketable Securities (DRS) due 2013.....	200,000	--	--
AC-1 Credit Facility.....	--	266,799	--
Other.....	242,028	9,192	--
Total debt.....	5,055,755	1,075,991	--
Less: discount on long-term debt, net.....	(31,715)	(3,505)	--
Less: current portion of long-term debt.....	--	(5,496)	(6,393)
Long-term debt.....	\$5,018,544	\$1,066,093	--
	=====	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Maturities of long-term debt are as follows (in thousands):

Year Ending December 31,

2000.....	\$ 5,496
2001.....	121,411
2002.....	43,618
2003.....	38,336
2004.....	1,167,256
Thereafter.....	3,679,638
Total.....	\$5,055,755
	=====

Senior Notes

On November 12, 1999, Global Crossing Holdings Ltd. ("GCH"), a wholly-owned subsidiary of GCL, issued two series of senior unsecured notes ("New Senior Notes"). The 9 1/8% senior notes are due November 15, 2006 with a face value of \$900 million and the 9 1/2% senior notes are due November 15, 2009 with a face value of \$1.1 billion. The New Senior Notes are guaranteed by GCL. Interest will be paid on the notes on May 15 and November 15 of each year, beginning on May 15, 2000.

On May 18, 1998, GCH also issued 9 5/8% senior notes due May 15, 2008, with a face value of \$800 million ("9 5/8% Senior Notes"). The 9 5/8% Senior Notes are guaranteed by GCL. Interest will be paid on the notes on May 15 and November 15 of each year.

The 12% senior notes issued by Global Telesystems Holdings Ltd. ("GTH"), now known as Atlantic Crossing Holdings Ltd., with a face value of \$150 million, due March 31, 2004 ("Old Senior Notes"), were repurchased in May 1998 with the proceeds from the issuance of the 9 5/8% Senior Notes. The Company recognized an extraordinary loss of approximately \$20 million on repurchase comprised of a premium of approximately \$10 million and a write-off of approximately \$10 million of unamortized deferred financing costs during 1998.

Senior Secured Revolving Credit Facility

On July 2, 1999, the Company, through GCH, entered into a \$3 billion senior secured corporate credit facility ("Corporate Credit Facility") with several lenders. The proceeds from the Corporate Credit Facility were used to repay existing indebtedness and fund capital expenditures. The Corporate Credit Facility consisted of two term loans and a revolving credit facility, which matures on July 2, 2004. The term loans were paid in full during fiscal year 1999. Unused credit under the revolving credit facility is approximately \$350 million as of December 31, 1999. Interest is payable at LIBOR plus 2.25 percent (8.44 percent at December 31, 1999).

During 1999, the Company recognized an extraordinary loss resulting from the payoff of existing debt in connection with the issuance of the Corporate Credit Facility, comprised of a write-off of \$15 million of unamortized deferred financing costs.

On November 12, 1999, the proceeds from the issuance of the New Senior Notes were used to pay down the fixed term portion of the Corporate Credit Facility, resulting in a write-off of \$31 million of unamortized deferred financing costs.

AC-1 Credit Facility

During 1997, the Company's wholly-owned subsidiary, Atlantic Crossing Ltd. ("ACL"), entered into a \$482 million aggregate senior secured non-recourse loan facility (the "AC-1 Credit Facility") with a group of banks led by CIBC and Deutsche Bank AG, for the construction and financing costs of AC-1. The AC-1 Credit Facility was paid in full in July 1999.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

MAC Credit Facility

During November 1998, the Company's wholly-owned subsidiary, Mid-Atlantic Crossing Ltd. ("MACL"), entered into a \$260 million aggregate senior secured non-recourse loan facility (the "MAC Credit Facility"). As of December 31, 1998, the outstanding balance was \$9 million. The MAC Credit Facility was paid in full in July 1999.

6% Dealer Remarketable Securities

The 6% DRS were issued by Frontier Corporation and were outstanding at the date of acquisition. The 6% DRS are due on October 15, 2013. Interest will be paid on April 15 and October 15 each year. These notes may be put back to the Company in October 2003, depending on the interest rate environment at that time.

7 1/4% Senior Notes

The 7 1/4% Senior Notes were issued by Frontier Corporation and were outstanding at the date of acquisition. The 7 1/4% Senior Notes are due May 14, 2004. Interest will be paid on May 15 and November 15 each year.

In December 1997, the Company entered into an interest rate hedge agreement that effectively converts \$200 million of the Company's 7.25% fixed-rate notes due May 2004 into a floating rate based on the US dollar London Interbank Offered Rate ("LIBOR") index rate plus 1.26%. The agreement expires in May 2004. Interest expense and the related cash flows under the agreement are accounted for on an accrual basis. The Company periodically enters into such agreements to balance its floating rate and fixed rate obligations to insulate against interest rate risk and minimize interest expense.

Racal Telecom Term Loan A

On November 24, 1999, the Company entered into a GBP 675 million (approximately \$1,091 million as of December 31, 1999) credit facility to finance the acquisition of Racal Telecom. The facility consists of two term loans due November 24, 2007. Interest is payable at LIBOR plus 2.5 percent (8.44 percent at December 31, 1999).

Medium Term Notes

The Medium Term Notes were issued by Frontier Corporation and were outstanding at the date of acquisition. The Company intends to refinance the notes due in fiscal 2000 with proceeds from the other available debt facilities.

Certain of the debt facilities mentioned above contain various financial and non financial restrictive covenants and limitations, including, among other things, the satisfaction of tests of "consolidated cash flow", as defined. Additionally, certain ILEC assets are pledged as security.

11. OBLIGATIONS UNDER INLAND SERVICES AGREEMENT, CAPITAL LEASES AND-OPERATING LEASES

The Company has capitalized the minimum lease payment of property and equipment under leases that qualify as capital leases.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

At December 31, 1999, future minimum payments under these capital leases are as follows (in thousands) and are included in Deferred credits and other in the accompanying Consolidated Balance Sheet:

Year Ending December 31,	
2000.....	\$ 53,235
2001.....	43,279
2002.....	38,390
2003.....	36,486
2004.....	53,195
Thereafter.....	436,580

Total minimum lease payments.....	661,165
Less: Amount representing maintenance payments.....	(133,240)
Less: Amount representing interest.....	(272,358)

Present value of minimum lease payments.....	\$ 255,567
	=====

The Company has commitments under various non-cancelable operating leases. Estimated future minimum lease payments on operating leases are approximately as follows (in thousands):

Year Ending December 31,	
2000.....	\$ 131,569
2001.....	79,932
2002.....	77,646
2003.....	70,678
2004.....	65,908
Thereafter.....	347,924

Total.....	\$ 773,657
	=====

Rental expense for the years December 31, 1999 and 1998 and period from March 19, 1997 (Date of Inception) to December 31, 1997 is \$74,249, \$754 and none, respectively (in thousands).

12. COMMITMENTS, CONTINGENCIES AND OTHER

As of December 31, 1999, ACL was committed under contracts with Tyco Submarine Systems Ltd. ("TSSL") for AC-1 upgrades totaling approximately \$59 million and is committed under the OA&M contract with TSSL to quarterly payments, over the next eight years, totaling approximately \$247 million which will be borne by the Company's customers or by the Company to the extent there is unsold capacity.

ACL was committed to paying TSSL commissions ranging from 3% to 7% on revenue received until 2002, subject to certain reductions. The Company also had a commission sharing agreement with TSSL whereby GCL had primary responsibility for the marketing and sale of capacity of AC-1 and PC-1 and shared a percentage of commissions payable to TSSL as consideration for assuming primary responsibility for the sales effort and marketing of the Company's projects. The Sales Agency Agreement with TSSL will terminate in March 2002 with an option by the Company to extend it until March 2005. The Company provided TSSL with a notice of termination with respect to these agreements effective February 22, 2000.

As of December 31, 1999, the Company was committed under the contracts to construct its Mid-Atlantic Crossing, Pan American Crossing, South American Crossing, Pan European Crossing and East Asia Crossing systems for future construction costs totaling approximately \$2 billion.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

In addition, as of December 31, 1999, the Company was committed to make future equity contributions to PCL in the amount of \$240 million.

The Company and a number of its subsidiaries in the normal course of business are party to a number of judicial, regulatory and administrative proceedings. The Company's management does not believe that any material liability will be imposed as a result of any of these matters.

13. PREFERRED STOCK

Cumulative Convertible Preferred Stock

In September 1999, GCL authorized 20,000,000 shares of preferred stock on terms and conditions to be established from time to time at the discretion of the Board of Directors.

In December 1999, GCL issued 2,600,000 shares of 7% cumulative convertible preferred stock at a liquidation preference of \$250.00 per share for net proceeds of \$630 million. Each share of preferred stock is convertible into 4.6948 shares of common stock based on a conversion price of \$53.25. Dividends on the preferred stock are cumulative from the date of issue and will be payable on February 1, May 1, August 1 and November 1 of each year, beginning on February 1, 2000, at the annual rate of 7%. Dividends accrued as of December 31, 1999 were \$1.9 million.

In November 1999, GCL issued 10,000,000 shares of 6 3/8% cumulative convertible preferred stock at a liquidation preference of \$100.00 per share for net proceeds of approximately \$969 million. Each share of preferred stock is convertible into 2.2222 shares of common stock, based on a conversion price of \$45.00. Dividends on the preferred stock are cumulative from the date of issue and will be payable on February 1, May 1, August 1 and November 1 of each year, beginning on February 1, 2000, at the annual rate of 6 3/8%. Dividends accrued as of December 31, 1999 were \$9.7 million.

The convertible preferred stock ranks junior to each other class of capital stock other than common stock of GCL with respect to dividend rights, rights of redemption or rights on liquidation and on a parity with any future preferred stock of GCL. The convertible preferred stock is junior in right of payment of all indebtedness of GCL and its subsidiaries. The preferred stock is non-voting unless the accumulation of unpaid dividends on the outstanding preferred stock is an amount equal to six quarterly dividend payments. The preferred stock can be redeemed, at the Company's option, starting in 2004 at specified premiums declining to par in 2009. Holders of preferred stock have the right to require the Company to repurchase shares of the preferred stock at par following the occurrence of certain change of control transactions.

10 1/2% Mandatorily Redeemable Preferred Stock

In December 1998, GCH authorized the issuance of 7,500,000 shares of preferred stock ("GCH Preferred Stock") at a liquidation preference of \$100.00 per share plus accumulated and unpaid dividends. In December 1998, 5,000,000 shares of GCH Preferred Stock were issued for \$500 million in cash. The Company reserved for future issuances up to 2,500,000 shares to pay dividends. Dividends accrued as of December 31, 1999 and 1998 were \$4 million. Unamortized issuance costs were \$14.1 million and \$17 million as of December 31, 1999 and 1998, respectively.

The holders of the GCH Preferred Stock are entitled to receive cumulative, semi-annual compounding dividends at an annual rate of 10 1/2% of the \$100 liquidation preference per share. At the Company's option, accrued dividends may be paid in cash or paid by issuing additional preferred stock (i.e. pay-in-kind) until June 1, 2002, at which time they must be paid in cash. As of December 31, 1999, all dividends had been paid in cash.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Dividends are payable semi-annually in arrears on each June 1 and December 1. The preferred stock ranks senior to all common stock of GCH with respect to dividend rights, rights of redemption or rights on liquidation and on a parity with any future preferred stock of GCH. The preferred stock is junior in right of payment of all indebtedness of GCH and its subsidiaries. The preferred stock is non-voting unless the accumulation of unpaid dividends (or if, beginning on June 1, 2002, such dividends are not paid in cash) on the outstanding preferred stock is an amount equal to three semi-annual dividend payments.

The preferred stock has a mandatory redemption on December 1, 2008 at a price in cash equal to the then effective liquidation preference thereof, plus all accumulated and unpaid dividends thereon to the date of redemption. The preferred stock can be redeemed, in whole or in part, at the Company's option at redemption prices starting at 105.25% of the liquidation preference in 2003, declining to 103.5% in 2004, 101.75% in 2005 and 100% thereafter.

The certificate of designation governing the preferred stock imposes certain limitations on the ability of the Company to, among other things, (i) incur additional indebtedness and (ii) pay certain dividends and make certain other restricted payments and investments, which limitations are in part based upon satisfaction of tests of "consolidated cash flow," as defined.

14% Mandatorily Redeemable Preferred Stock

In March 1997, GTH authorized and issued 500,000 shares of preferred stock ("GTH Preferred Stock") at a liquidation preference of \$1,000 per share.

In June 1998, proceeds from the issuance of the 9 5/8% Senior Notes were used to redeem this preferred stock. The redemption resulted in a \$34 million charge against additional paid-in capital comprised of a \$16 million redemption premium and \$18 million of unamortized discount and issuance cost on the preferred stock on the date of the redemption. The redemption premium and write-off of unamortized discount and issuance costs on the preferred stock were treated as a deduction to arrive at the net loss applicable to common shareholders in the consolidated statement of operations.

Preferred stock dividends included the following:

	December 31,	
	1999	1998
	(In thousands)	
Preferred stock dividends.....	\$63,742	\$11,712
Amortization of discount on preferred stock.....	--	618
Amortization of preferred stock issuance costs.....	2,900	351
	\$66,642	\$12,681
	=====	=====

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

14. NET LOSS PER SHARE

Losses per share are calculated in accordance with SFAS No. 128, "Earnings Per Share." Share and per share data presented reflects all stock dividends and stock splits.

The following is a reconciliation of the numerators and the denominators of the basic and diluted loss per share:
For the period

	December 31,		March 31, 1997
	1999	1998	(Date of Inception) to December 31, 1997
(In thousands, except share and per share data)			
Loss before			
extraordinary item and			
cumulative effect of			
change in accounting			
principle.....	\$ (10,535)	\$ (68,194)	\$ (160)
Preferred stock			
dividends.....	(66,642)	(12,681)	(12,690)
Redemption of preferred			
stock.....	--	(34,140)	--
Loss applicable to			
common shareholders			
before extraordinary			
item and cumulative			
effect of change in			
accounting principle...	\$ (77,177)	\$ (115,015)	\$ (12,850)
Weighted average share			
outstanding:			
Basic and diluted.....	502,400,851	358,735,340	325,773,934
Loss applicable to			
common shareholders			
before extraordinary			
items and cumulative			
effect of change in			
accounting principle			
Basic and diluted.....	\$ (0.15)	\$ (0.32)	\$ (0.04)

Dilutive options and warrants did not have an effect on the computation of diluted loss per share in 1999 and 1998 since they were anti-dilutive. The impact of dilutive options and warrants increases the weighted average shares outstanding to 552,466,665 shares as of December 31, 1999.

15. FINANCIAL INSTRUMENTS

The carrying amounts for cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accrued construction costs, accounts payable and accrued liabilities, accrued interest, obligations under inland services agreements and capital leases and long term debt approximate their fair value. The fair value of the senior notes (the New Senior Notes and 9 5/8% Senior Notes), mandatorily redeemable preferred stock, cumulative convertible preferred stock and the interest rate swap are based on market quotes and the fair values are as follows:

	December 31, 1999		December 31, 1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(In thousands)				
Senior notes.....	\$3,135,000	\$3,090,294	\$796,495	\$834,000
Mandatorily redeemable				
preferred stock.....	485,947	498,750	483,000	480,000
Cumulative convertible				
preferred stock.....	1,598,750	1,975,300	--	--
Interest rate swap.....	\$ --	\$ 6,602	\$ --	\$ 26

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

16. STOCK OPTION PLAN

GCL maintains a stock option plan under which options to acquire shares may be granted to directors, officers, employees and consultants of the Company. The Company accounts for this plan under APB Opinion No. 25, under which compensation cost is recognized only to the extent that the market price of the stock exceeds the exercise price. Terms and conditions of the Company's options, including exercise price and the period in which options are exercisable, generally are at the discretion of the Compensation Committee of the Board of Directors; however, no options are exercisable more than ten years after date of grant.

Prior to its merger with the Company, Frontier maintained stock option plans for its directors, executives and certain employees. The exercise price for options under all Frontier plans was the fair market value of the stock on the date of the grant. The stock options expire ten years from the date of the grant and vest over a period from one to three years. The Frontier plans provided for discretionary grants of stock options which were subject to the passage of time and continued employment restrictions.

In connection with the Frontier merger, the Company exchanged all of the outstanding Frontier stock options for 25.3 million Global Crossing stock options which vested immediately at the date of the merger. As of December 31, 1999, 17.7 million stock options under the Frontier plans remained vested and outstanding.

Additional information regarding options granted and outstanding for the years ended December 31, 1998 and 1999 are summarized below:

	Options Available For Grant	Number of Options Outstanding	Weighted Average Exercise Price
Balance as of December 31, 1997.....	--	--	--
Authorized.....	33,215,730		
Granted.....	(30,762,466)	30,762,466	\$ 2.85
Exercised.....		(656,688)	1.06
Cancelled.....	3,253,000	(3,253,000)	1.11
Balance as of December 31, 1998.....	5,706,264	26,852,778	3.11
Authorized.....	82,010,014	--	--
Granted.....	(65,019,955)	65,019,955	24.20
Exercised.....		(10,058,073)	11.07
Cancelled.....	3,175,154	(3,175,154)	22.17
Balance as of December 31, 1999.....	25,871,477	78,639,506	\$18.76
	=====	=====	=====

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (Continued)

The following tables summarize information concerning outstanding and exercisable options:

December 31, 1999

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Weighted Average Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price per Share	Number Exercisable	Weighted Average Exercise Price per Share
\$ 0.35 to \$ 1.43	14,153,480	7.79	\$ 0.83	7,871,980	\$ 0.83
2.00 to 9.00	7,157,036	8.18	3.14	3,635,345	3.29
9.30 to 13.80	12,539,297	7.71	11.61	10,207,026	11.60
13.96 to 19.82	11,961,988	8.54	17.15	8,961,988	16.26
20.60 to 23.44	19,975,778	9.65	25.82	1,175,228	24.48
\$33.00 to \$61.38	12,851,927	9.73	44.68	1,741,334	46.15
Total	78,639,506	8.73	\$18.76	33,592,901	\$11.66

December 31, 1998

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Weighted Average Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price per Share	Number Exercisable	Weighted Average Exercise Price per Share
\$0.35 to \$0.83	15,717,280	9.2	\$ 0.83	4,803,833	\$ 0.83
2.00 to 3.33	6,844,598	9.5	3.13	1,625,000	3.33
9.50 to 13.26	4,290,900	9.7	11.44	302,834	11.34
Total	26,852,778	9.3	\$ 3.11	6,731,667	\$ 1.91

During the years ended December 31, 1999 and 1998, the Company recorded in additional paid-in capital \$55 million and \$94 million, respectively, of unearned compensation, relating to awards under the stock incentive plan plus the grant of certain economic rights and options to purchase common stock. During 1999 and 1998 the Company recognized expense of \$51 million and \$39 million, respectively, of stock related compensation relating to the stock incentive plan and the vested economic rights to purchase common stock. The remaining \$60 million of unearned compensation will be recognized as follows: \$36 million in 2000, \$20 million in 2001 and \$4 million in 2002.

The Company entered into an employment arrangement with a key executive, and granted him economic rights to purchase two million shares of common stock at \$2.00 per share. One-third of these economic rights vested immediately and the balance vests over two years. The Company recorded the excess of the fair market value of these options and rights over the purchase price as unearned stock compensation in the amount of \$15 million during the year ended December 31, 1998. The unearned compensation is being recognized as expense over the vesting period of the economic right.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (Continued)

As permitted by SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), the Company accounted for employee stock options under APB 25 and is recognizing compensation expense over the vesting period to the extent that the fair value of the stock on the date the options were granted exceeded the exercise price. Had compensation cost for the Company's stock-based compensation plans been determined consistent with the SFAS 123 fair value approach, the impact on the Company's loss applicable to common shareholders and loss per share would be as follows:

	Year Ended December 31, 1999	Year Ended December 31, 1998	Period from March 19, 1997 (Date of Inception) to December 31, 1997
(In thousands, except per share information)			
Net loss applicable to common shareholders:			
As reported.....	\$(137,568)	\$(134,724)	\$(12,850)
Pro forma.....	\$(236,184)	\$(141,585)	\$(12,850)
Basic and diluted net loss per share:			
As reported.....	\$ (0.27)	\$ (0.38)	\$ (0.04)
Pro forma.....	\$ (0.47)	\$ (0.39)	\$ (0.04)

Under SFAS 123, the fair value of each option is estimated on the date of grant using the Black-Scholes option-pricing model assuming the following weighted average assumptions used for the year ended December 31, 1999; zero dividend yield, expected volatility of 40.00, weighted average risk free rate of return of 6.56% and expected life of 4 years. For the year ended December 31, 1998; zero dividend yield, expected volatility of 0% to 42%, weighted average risk free rate of return of 5.45% and expected life of 4 years.

17. EMPLOYEE BENEFIT PLANS

401(k) Plan

Beginning in 1998, the Company offered its qualified employees the opportunity to participate in a defined contribution retirement plan qualifying under the provisions of Section 401(k) of the Internal Revenue Code. Each eligible employee may contribute on a tax-deferred basis a portion of their annual earnings not to exceed certain limits. The Company matches one-half of individual employee contributions up to a maximum level not to exceed 7.5% of the employee's compensation. The Company's contributions to the plan vest immediately. Expenses recorded by the Company relating to its 401(k) plan were approximately \$0.6 million and \$0.2 million for the years ended December 31, 1999 and 1998, respectively.

The Company also sponsors a number of defined contribution plans for Frontier employees. The most significant plan covers non-bargaining employees, who can elect to make contributions through payroll deduction. The Company provides a contribution of .5 percent of gross compensation in common stock for every employee eligible to participate in the plan. The common stock used for matching contributions is purchased on the open market by the plan's trustee. The Company also provides one hundred percent matching contributions in its common stock up to three percent of gross compensation, and may, at the discretion of the Management Benefit Committee, provide additional matching contributions based upon Frontier's financial results. The total cost recognized for all defined contribution plans was \$2.6 million from the date of the merger through December 31, 1999.

Pension Plan

As a result of the merger with Frontier, the Company has noncontributory plans which have been frozen, providing for service pensions and certain death benefits for substantially all Frontier employees. The assets and

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

liabilities related to these plans were recorded at fair market value at the date of the merger. In 1995 and 1996, these defined benefit plans were frozen. On an annual basis, contributions are remitted to the trustees to ensure proper funding of the plans.

The majority of the Company's pension plans have plan assets that exceed accumulated benefit obligations. There are certain plans, however, with accumulated benefit obligations which exceed plan assets. The following table summarizes the funded status of the Company's pension plans and the related amounts that are included in "Other assets" in the Consolidated Balance Sheet of the Company as of December 31, 1999 (in thousands):

CHANGE IN BENEFIT OBLIGATION

Benefit obligation at September 30, 1999.....	\$451,600
Service cost.....	14
Interest cost.....	8,397
Actuarial gain.....	(11,025)
Benefits paid.....	(9,151)

Benefit obligation at December 31, 1999.....	\$439,835
	=====

CHANGE IN PLAN ASSETS

Fair value of plan assets at September 30, 1999.....	\$621,100
Actual return on plan assets.....	86,516
Employer contribution.....	550
Benefits paid.....	(9,151)

Fair value of plan assets at December 31, 1999.....	\$699,015
	=====

Funded status.....	\$259,180
Unrecognized net gain.....	(83,192)

Prepaid benefit cost, net.....	\$175,988
	=====

The net periodic pension cost consists of the following for the three month period ended December 31, 1999 (in thousands):

Service cost.....	\$ 14
Interest cost on projected benefit obligation.....	8,397
Return on plan assets.....	(14,349)
Net periodic pension benefit.....	\$ (5,938)
	=====

The following rates and assumptions were used to calculate the projected benefit obligation as of December 31, 1999:

Weighted average discount rate.....	8.00%
Rate of salary increase.....	5.00%
Expected return on plan assets.....	9.50%

The Company's policy is to make contributions for pension benefits based on actuarial computations which reflect the long-term nature of the pension plan. However, under SFAS No. 87, "Employers' Accounting for Pensions," the development of the projected benefit obligation essentially is computed for financial reporting purposes and may differ from the actuarial determination for funding due to varying assumptions and methods of computation.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Postretirement Benefit Other Than Pensions

The Company provides postretirement health care and life insurance benefits, which have been frozen, to most of its employees. Plan assets consist principally of life insurance policies and money market instruments. In 1996, Frontier amended its healthcare benefits plan to cap the cost absorbed by the Company for healthcare and life insurance for its bargaining employees who retire after December 31, 1996. The assets and liabilities related to these plans were recorded at fair market value at the date of the merger.

The following table summarizes the funded status of the plan (in thousands) and the related amounts included in "Deferred credits and other" in the Consolidated Balance Sheet of the Company as of December 31, 1999 (in thousands):

CHANGE IN BENEFIT OBLIGATION	
Benefit obligation at September 30, 1999.....	\$ 114,305
Service cost.....	135
Interest cost.....	2,134
Actuarial gain.....	(2,970)
Benefits paid.....	(2,016)

Benefit obligation at December 31, 1999.....	\$ 111,588
	=====
CHANGE IN PLAN ASSETS	
Fair value of plan assets at September 30, 1999.....	\$ 2,989
Actual return on plan assets.....	180
Employer contribution.....	1,902
Benefits paid.....	(2,016)

Fair value of plan assets at December 31, 1999.....	\$ 3,055
	=====
Funded status.....	\$ (108,533)
Unrecognized net loss.....	(2,133)

Accrued benefit cost, net.....	\$ (110,666)
	=====

The components of the estimated postretirement benefit cost are as follows for the three month period ended December 31, 1999 (in thousands):

Service cost.....	\$ 135
Interest cost on projected benefit obligation.....	2,134
Expected return on plan assets.....	(67)

Net periodic pension cost (benefit).....	\$ 2,202
	=====

The following rates and assumptions were used to calculate the projected benefit obligation as of December 31, 1999:

Weighted average discount rate.....	8.00%
Rate of salary increase.....	5.00%
Expected return on plan assets.....	9.50%
Assumed rate of increase in cost of covered health care benefits.....	6.17%

Increases in health care costs were assumed to decline consistently to a rate of 5.0% by 2006 and remain at that level thereafter. If the health care cost trend rates were increased by one percentage point, the accumulated

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

postretirement benefit health care obligation as of December 31, 1999 would increase by \$8.2 million while the sum of the service and interest cost components of the net postretirement benefit health care costs for 1999 would increase by \$191,000. If the health care cost trend rates were decreased by one percentage point, the accumulated postretirement benefit health care obligations as of December 31, 1999 would decrease by \$7.3 million while the sum of the service interest cost components of the net postretirement benefit health care cost for 1999 would decrease by \$168,000.

18. RELATED PARTY TRANSACTIONS

Transactions with Global Access Ltd. and Pacific Crossing Ltd.

During 1999, Global Crossing entered into certain transactions with GAL and PCL to purchase \$101.4 million of terrestrial and subsea capacity.

Transactions with Pacific Capital Group and its Affiliates

Prior to 1999, Global Crossing entered into certain transactions with affiliates of Pacific Capital Group ("PCG"), including the acquisition of development rights to certain of the Company's fiber optic cable systems. PCG is controlled by certain officers and directors of Global Crossing who either currently are or at one time were affiliated with PCG. During 1999, Global Crossing subleased from PCG two suites of offices in Beverly Hills for payments aggregating approximately \$287,000 over the year. In October 1999, Global Crossing entered into a lease with North Crescent Realty V, LLC, which is managed by and affiliated with PCG, for an aggregate monthly cost of approximately \$400,000. North Crescent Realty, LLC paid approximately \$7.5 million to improve the property to meet Global Crossing's specifications and was reimbursed approximately \$3.2 million of this amount by Global Crossing. Global Crossing engaged an independent real estate consultant to review the terms of Global Crossing's occupancy of the building, which terms were found by the consultant to be consistent with market terms and conditions and the product of an arm's length negotiation. Global Crossing subleases approximately 12,000 square feet of the building to PCG for an aggregate monthly cost of approximately \$53,000.

PCG has fractional ownership interests in aircrafts used by Global Crossing during 1999. Global Crossing reimburses PCG for PCG's cost of maintaining these ownership interests such that PCG realizes no profit from the relationship. During 1999, PCG billed Global Crossing approximately \$2 million in aggregate under this arrangement.

In 1997, the Company paid \$7 million in fees to PCG and certain of its key executives, who are shareholders of GCL, and another shareholder for services provided in respect of obtaining the AC-1 Credit Facility, Old Senior Notes and the GTH Preferred Stock financing. Of the fees paid, \$5 million was allocated to the AC-1 Credit Facility and Old Senior Notes and recorded as deferred finance costs, \$1 million was allocated to the GCH Preferred Stock and recorded as a reduction in the carrying value of the preferred stock and \$1 million was recorded as common stock issuance costs.

Transactions with Canadian Imperial Bank of Commerce and its affiliates

During 1999, Canadian Imperial Bank of Commerce and its affiliates ("CIBC") entered into certain financing transactions with Global Crossing. In particular, CIBC: (1) acted as an arranger for the \$600 million ten-day demand note issued by Global Marine Systems in July, (2) acted as an arranger for the \$3 billion senior secured credit facility entered into by GCH in July, (3) was an initial purchaser of the \$2 billion aggregate principal amount of unsecured senior notes issued by GCH in November, and (4) was an initial purchaser of GCL's \$650 million aggregate liquidation preference 7% cumulative convertible preferred stock issued in December. During 1999, Global Crossing paid CIBC approximately \$5.6 million in fees in connection with these transactions. CIBC has a substantial beneficial ownership interest in Global Crossing, and certain directors of Global Crossing are employees of an affiliate of CIBC.

GLOBAL CROSSING LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS-- (Continued)

In 1998, CIBC was one of the initial purchasers of the New Senior Notes and GCH Preferred Stock, a member of the PC-1 and MAC credit facility syndicates, and was also one of the underwriters of the Company's initial public offering ("IPO"). CIBC was paid \$19 million in fees and credit facility interest during the year ended December 31, 1998. In 1997, GCL paid CIBC approximately \$25 million in fees related to the financing obtained under the Old Senior Notes, the AC-1 Credit Facility, and the issuance of the GTH Preferred Stock. Of the fees incurred, approximately \$6 million related to underwriting and commitment fees pertaining to the issuance of the GTH Preferred Stock and was recorded as a reduction in the carrying value of the GTH Preferred Stock, approximately \$9 million related to underwriting, commitment and advisory fees in connection with the issuance of the Old Senior Notes and approximately \$10 million related to fees associated with obtaining the AC-1 Credit Facility which was recorded as deferred finance costs.

Relationship to Ziff-Davis Inc. and Affiliates

A director of Global Crossing is the chairman and chief executive officer of Ziff-Davis Inc., a majority of the common stock of which is beneficially owned by Softbank Corp. Softbank is a party to the Asia Global Crossing joint venture established to provide advanced network-based telecommunications services to businesses and consumers throughout Asia. Global Crossing, which is responsible for the management and operation of the network, contributed to the venture its 57.75% share of the Pacific Crossing system and its development rights in East Asia Crossing. Softbank and Microsoft each contributed \$175 million in cash to Asia Global Crossing and also committed to make a total of at least \$200 million in Global Crossing Network capacity purchases over a three-year period, expected to be utilized primarily on the Pacific Crossing system and East Asia Crossing. Softbank and Microsoft also agreed to use Asia Global Crossing's network in the region. Global Crossing currently owns 93% of Asia Global Crossing, with Softbank and Microsoft each owning 3.5%. When the fair market value of Asia Global Crossing is determined to exceed \$5 billion, the ownership interest of Softbank and Microsoft will increase to a maximum of 19% each at a valuation of \$7.5 billion and above. The Global Crossing director is Softbank's representative on the Asia Global Crossing board of directors. In addition, Ziff-Davis is one of the largest web-hosting customers of our GlobalCenter subsidiary.

Relationship to Hutchison Whampoa Limited

The managing director of Hutchison was recently appointed a director of Global Crossing. In November 1999, Hutchison and Global Crossing entered into an agreement to form a 50/50 joint venture to pursue fixed-line telecommunications and Internet opportunities in the Hong Kong Special Administrative Region, China. The joint venture, the formation of which was completed in January 2000, combines Hutchison's existing territory-wide, building-to-building fixed-line fiber optic telecommunications network and certain Internet-related assets in Hong Kong with Global Crossing's international fiber optic broadband cable capacity and web hosting, Internet applications and data services. For its 50% share, Global Crossing provided to Hutchison \$400 million in Global Crossing 6 3/8% cumulative convertible preferred stock. Additionally, Global Crossing committed to contribute to the joint venture international telecommunications capacity rights on its global fiber optic network and data center related capabilities which together are valued at \$350 million, as well as \$50 million in cash.

Agreements with Global Crossing Stockholders

In August 1998, PCG, GKW Unified Holdings (an affiliate of PCG), affiliates of CIBC, Global Crossing and some other Global Crossing shareholders, including some officers and directors and their affiliates, entered into a Stockholders Agreement and a Registration Rights Agreement. Under the Stockholders Agreement, Global Crossing has been granted a right of first refusal on specified private transfers by these shareholders during the first two years after the consummation of the IPO on August 14, 1998. In addition, subject to the exceptions in the Stockholders Agreement, some of these shareholders have rights, which are referred to as tag-along rights, permitting these shareholders to participate, on the same terms and conditions, in some transfers of shares by

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any other of these shareholders as follows: (1) PCG, GKW Unified Holdings and CIBC and their affiliates and permitted transferees have the right to participate in any transaction initiated by any of them to transfer 5% or more of our outstanding securities; and (2) PCG, GKW Unified Holdings, CIBC and their affiliates and permitted transferees have the right to participate in any transaction initiated by any of them to transfer any Global Crossing securities if that transaction would result in a change of control of Global Crossing. Under the Registration Rights Agreement, Global Crossing shareholders who are parties to that agreement and a number of their transferees have demand and piggyback registration rights and will receive indemnification and, in some circumstances, reimbursement for expenses from the Company in connection with an applicable registration.

Principal shareholders of Global Crossing, representing at that time over a majority of the voting power of the Company's common stock, entered into a Voting Agreement with Frontier Corporation in March 1999 in connection with the Frontier merger. These Global Crossing shareholders reaffirmed their voting obligations under the Voting Agreement in connection with subsequent amendments made to the merger agreement during 1999. Pursuant to the Second Reaffirmation of Voting Agreement and Share Transfer Restriction Agreement dated September 2, 1999, the Global Crossing shareholders that are parties to the Voting Agreement also agreed, from September 2, 1999 until March 28, 2000, not to transfer record or beneficial ownership of any shares of Global Crossing common stock held by such shareholders, other than transfers to charities, transfers made with the consent of the Company and other limited exceptions, and to work in good faith toward implementing a program with the purpose that, if the Global Crossing shareholders that are parties to the Voting Agreement wish to sell or transfer their shares after March 28, 2000, these sales or transfers would be completed in a manner that would provide for an orderly trading market for the shares of Global Crossing common stock.

Also on September 2, 1999, fourteen of the Company's executive officers and three executive officers of Frontier entered into a Share Transfer Restriction Agreement with Global Crossing. Under this agreement, the Global Crossing executive officers agreed not to sell or transfer shares of the Company's common stock, and the Frontier executive officers agreed not to sell or transfer shares of Frontier common stock and the shares of Global Crossing common stock they would receive in exchange for their Frontier common stock in the merger, until March 28, 2000, subject in each case to substantially the same exceptions as are applicable to the Second Reaffirmation of Voting Agreement and Share Transfer Restriction Agreement described in the immediately preceding paragraph.

Advisory Services Agreement ("ASA")

ACL entered into the ASA with PCG Telecom, an affiliate of PCG which is a shareholder of GCL. Under the ASA, PCG Telecom provided ACL with advice in respect of the development and maintenance of AC-1, development and implementation of marketing and pricing strategies and the preparation of business plans and budgets. As compensation for its advisory services, PCG Telecom received a 2% fee on the gross revenue of the Company over a 25 year term, subject to certain restrictions, with the first such payment to occur at the AC-1 RFS date. Advances on fees payable under the ASA were being paid to PCG Telecom at a rate of 1% on signed CPAs until the ASA was terminated, as described below. Fees paid under the ASA to PCG Telecom were shared amongst Union Labor Life Insurance Company ("ULLICO"), PCG, CIBC, and certain directors and officers of the Company, all of whom are shareholders of GCL. Effective June 1998, GCL acquired the rights under the ASA on behalf of the Company for common stock and contributed such rights to the Company as the ASA was terminated. This transaction was recorded in the consolidated financial statements as an increase in additional paid-in capital of \$135 million and a charge against operations in the amount of \$138 million. The \$138 million is comprised of a \$135 million settlement of the fees that would have been payable and the cancellation of \$3 million owed to the Company under a related advance agreement. The \$135 million amount was calculated by applying the 2% advisory services fee to projected future revenue and discounting the amount relating to AC-1 revenue by 12% and the amount relating to all other system's revenue by 15%. The result of this calculation was \$156 million, which amount was subsequently reduced to \$135 million. Both the discount rates and the ultimate

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valuation were determined as a result of a negotiation process including a non management director of the Company and the various persons entitled to fees under the ASA. The Company obtained a fairness opinion from an independent financial advisor in connection with this transaction. In addition, the Company incurred approximately \$2 million of advisory fees prior to termination of the contract, for a total expense of \$140 million for the year ended December 31, 1998.

PCG Warrants

PCG Warrants, issued in 1998 by the Company's predecessor, Global Crossing Ltd., LDL ("Old GCL") became exercisable upon the completion of the IPO. The PCG Warrants gave each holder the option to convert each share under warrant into a fraction of a Class B of Old GCL share based upon the ratio of the current per share valuation at the time of conversion less the per share exercise price of the warrant divided by the current per share valuation at the time of conversion multiplied by the 36,906,372 shares available under the PCG Warrants, together with a new warrant ("New PCG Warrants") to purchase the remaining fraction of such Class B share at an exercise price equal to the then current per share valuation. Prior to the IPO, the holders of the PCG Warrants exercised their warrants to acquire Class B of Old GCL shares by way of the cashless conversion and the New PCG Warrants were issued with an exercise price based on the per share valuation at the conversion date, the obligation on which were assumed by GCL.

The Company accounted for the cashless conversion of the PCG Warrants, which occurred as of June 1998, using the current estimated per share valuation at the expected conversion date, multiplied by the number of Class B shares of Old GCL estimated to be converted in exchange for the PCG Warrants. The resulting value under this calculation is approximately \$213 million, which was allocated to the new systems in exchange for the PCG Warrants. In connection with the formation of PCL, the Company agreed to make available to PCL the consideration received by the Company in connection with the grant of the PCG Warrants, in addition to the \$231 million cash investment made by the Company. Therefore, the Company recorded an increase in its investment in PCL in the amount of approximately \$127 million and an increase in construction in progress for PAC and MAC in the amounts of approximately \$50 million and \$36 million, respectively, with a corresponding increase of \$213 million in additional paid-in capital. The \$213 million was allocated on a pro rata basis to the three projects according to the estimated cost of each system. The Company's accounting for the PCG Warrants is pursuant to Emerging Issues Task Force 96-18, "Accounting for Equity Instruments with Variable Terms that are Issued for Consideration other than Employee Services under FASB Statement No. 123" ("EITF 96-18"). Under EITF 96-18, the fair value of equity instruments issued for consideration other than employee services should be measured using the stock price or other measurement assumptions as of the date at which a firm commitment for performance level has been reached. The Company has recorded the estimated value of the PCG Warrants as of June 1998, since the IPO was probable at that date. The \$213 million value attributed to the PCG Warrants as of June 1998 was adjusted to the actual value of \$275 million on the date of the IPO based upon the \$9.50 price per share of the IPO.

The Company gave accounting recognition for the New PCG Warrants on the date these warrants were issued, which was the date of the IPO. The Company valued each of the New PCG Warrants at \$3.48 based on an independent valuation based on the IPO price of \$9.50 per share. The New PCG Warrants had a total value of approximately \$43 million. The Company recorded the actual value of the New PCG Warrants in a manner similar to that described above whereby the total value was allocated to the investment in PC-1, MAC and PAC based on their relative total contract costs.

Other transactions

In 1998, GCL purchased all common shares owned by Telecommunications Development Corporation ("TDC") in the Company in exchange for 300,000 fewer newly issued shares of common stock based upon the

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per share value at the repurchase date. The transaction benefited GCL since 300,000 fewer shares were outstanding after the repurchase without any cost to GCL. This transaction was accounted for as the acquisition of treasury stock and was recorded as \$209 million, the fair value of the consideration given. Certain officers and directors of the Company held direct or indirect equity ownership positions in TDC, resulting in these officers and directors having a majority of the outstanding common stock of TDC. Following this transaction, TDC distributed all of its shares of common stock and GCL warrants to the holders of its common stock and was then liquidated.

19. SEGMENT REPORTING

The Company is a worldwide provider of Internet and long distance telecommunications facilities and related services supplying its customers with global "point to point" connectivity and, through its Global Marine Systems subsidiary, providing cable installation and maintenance services. The Company's reportable segments include telecommunications services, installation and maintenance services, and incumbent local exchange carrier services. There are other corporate related charges not attributable to a specific segment. While the Company's chief decision maker monitors the revenue streams of the various products and geographic locations, operations are managed and financial performance evaluated based on the delivery of multiple, integrated services to customers over a single network. As a result, there are many shared expenses generated by the various revenue streams and management believes that any allocation of the expenses incurred to multiple revenue streams would be impractical and arbitrary.

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